

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

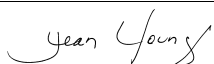
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Capital Area District Library

**Financial Report
with Supplemental Information
December 31, 2006**

Capital Area District Library

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Independent Auditor's Report

To the Capital Area District
Library Board
Lansing, Michigan

We have audited the accompanying basic financial statements of Capital Area District Library (the "Library") as of and for the year ended December 31, 2006 as listed in the table of contents. These financial statements are the responsibility of Capital Area District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Capital Area District Library at December 31, 2006 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

February 23, 2007

Capital Area District Library

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.
- The government-wide financial statement column provides both long-term and short-term information about the Library's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

Capital Area District Library

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following table below shows key financial information in a condensed format:

	2006	2005
Assets		
Current assets	\$ 13,318,926	\$ 12,165,739
Capital assets	6,487,272	6,331,013
Total assets	19,806,198	18,496,752
Liabilities		
Long-term liabilities	221,317	190,755
Other liabilities	10,588,307	9,240,651
Total liabilities	10,809,624	9,431,406
Net Assets		
Invested in capital assets	6,487,272	6,331,013
Restricted for donor-restricted purpose	104,747	93,000
Unrestricted	2,404,555	2,641,333
Total net assets	<u>\$ 8,996,574</u>	<u>\$ 9,065,346</u>
Revenue		
Property taxes	\$ 9,035,884	\$ 8,705,782
Other	1,589,930	1,617,547
Total revenue	10,625,814	10,323,329
Expenses - Library services	<u>10,694,566</u>	<u>9,872,419</u>
Change in Net Assets	<u>\$ (68,752)</u>	<u>\$ 450,910</u>

Capital Area District Library

Management's Discussion and Analysis (Continued)

The Library as a Whole

- The Library is reporting all financial statements that meet the requirements of GASB Statement No. 34. These statements will include a comparative analysis of government-wide data for years 2005 and 2006.
- The Library's net assets were \$8,996,574 on a full accrual basis. This represents a decrease of \$68,772 over the previous year. This decrease was primarily the result of funds from the Library's General Fund balance being used to finance planned projects and ongoing operations.
- The Library's primary source of revenue is from property taxes. For 2006, total tax collection was \$9,035,884. This represents approximately 85 percent of total revenue. It also represents an increase over the previous year's tax collection of \$330,102. This increase was primarily due to a 5.4 percent increase in taxable value on the properties within the county providing revenue to the library system.
- Salaries and fringe benefits are the largest overall expense of the Library. For 2006, this expense was \$6,878,063, representing 63.6 percent of the Library's total expenses. The addition of two full-time employees and one part-time employee to meet the needs of a growing library system, plus an average 4 percent increase in salaries, and rising health care costs contributed to an overall increase of \$539,737 over the previous year.
- Library materials at \$1,494,396 are the second largest overall expense of the Library, representing 13.8 percent of the Library's total expenses. This is an increase of \$86,258 from the previous year.
- Total expenses for the entire year under the modified accrual method of accounting were \$10,820,283.

The Library's Fund

- Our analysis of the Library's major fund is included on pages 7 and 8 in the first column of the respective statements. The fund column provides detailed information about the most significant fund - not the Library as a whole.
- The fund balance of the General Fund decreased by \$194,469 for the year. This decrease was a planned reduction of the fund balance to cover projects costs and ongoing operations.

Capital Area District Library

Management's Discussion and Analysis (Continued)

- The Library board has the ability to create separate funds to help manage money for specific purposes. The Library maintains several of these to fund projects such as system expansion, technology upgrades, and capital improvements. These amounts are reflected as designated items on the balance sheet.

Library Budgetary Highlights

Over the course of the year, the Library board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in tax revenue, interest income, materials, salaries and benefits expense, supplies, professional services, technology, and capital project expenses.

- The tax revenue budget was increased \$80,000 to reflect an increase in actual tax revenue received from Ingham County.
- The interest income budget was increased by \$45,000 to reflect higher returns generated from the Library's investments.
- The materials budget was increased by \$100,000 to reflect committed, but unspent funds from the prior year.
- The salaries expense budget was increased by \$92,000 to reflect the addition of two new positions, a reading specialist and a media coordinator.
- The benefits expense budget was increased by \$53,800 to reflect higher expected costs in health care premiums, prescription drug coverage, and employee parking.
- The supplies budget was increased by \$27,000 to reflect higher costs for paper, delivery boxes, and toner cartridges, as well as the additional purchase of RFID tags for materials.
- The professional services budget was increased by \$36,000 to account for a marketing campaign to distribute our winter brochure to nearly all households in our service area.
- The technology budget was reduced by \$34,500 to reflect lower spending on a staff computer upgrade project.
- The capital expense budget was reduced by \$53,000 to reflect a change in scope to a planned HVAC upgrade project at the main library.

Capital Area District Library

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$6.49 million invested in furniture, equipment, and books and materials. In 2006, the Library added approximately \$1.31 million in new collection items consisting mainly of books, video materials, audio books, and music CDs.

The Library carries no long-term debt other than compensated absences.

Capital Area District Library

Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2006

	General Fund - Modified Accrual Basis	Adjustments (Note 9)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash (Note 2)	\$ 1,863,019	\$ -	\$ 1,863,019
Investments (Note 2)	1,235,603	-	1,235,603
Taxes receivable	9,993,066	-	9,993,066
Due from other governmental units	20,667	-	20,667
Interest receivable	25,755	-	25,755
Prepaid expenses	180,816	-	180,816
Capital assets (Note 3)	-	6,487,272	6,487,272
Total assets	<u>\$ 13,318,926</u>	<u>6,487,272</u>	<u>19,806,198</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 598,854	-	598,854
Deferred revenue	9,989,453	-	9,989,453
Long-term liabilities - Due in more than one year - Accumulated employee benefits (Note 4)	-	221,317	221,317
Total liabilities	<u>10,588,307</u>	<u>221,317</u>	<u>10,809,624</u>
Fund Balances			
Reserved for:			
Prepaid expenses	180,816	(180,816)	-
Donations	104,747	(104,747)	-
Unreserved:			
Designated for:			
System expansion	441,219	(441,219)	-
Contingency	1,048,960	(1,048,960)	-
Automation	170,400	(170,400)	-
Capital projects	149,717	(149,717)	-
Undesignated	634,760	(634,760)	-
Total fund balance	<u>2,730,619</u>	<u>(2,730,619)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 13,318,926</u>		
Net Assets			
Investment in capital assets		6,487,272	6,487,272
Restricted for donor-restricted purposes		104,747	104,747
Unrestricted		2,404,555	2,404,555
Total net assets		<u>\$ 8,996,574</u>	<u>\$ 8,996,574</u>

Capital Area District Library

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2006

	General Fund - Modified Accrual Basis	Adjustments (Note 9)	Statement of Activities - Full Accrual Basis
Revenue			
Millage revenue	\$ 9,035,884	\$ -	\$ 9,035,884
Penal fines	746,047	-	746,047
State aid	171,612	-	171,612
Rental revenue	110,561	-	110,561
Interest income	282,077	-	282,077
Donation income	79,509	-	79,509
Miscellaneous revenue	200,124	-	200,124
Total revenue	10,625,814	-	10,625,814
Expenditures			
Salaries and benefits	6,878,063	30,542	6,908,605
Materials	1,494,396	(1,315,494)	178,902
Supplies	254,179	-	254,179
Professional services	548,693	-	548,693
Governance	21,851	-	21,851
Transportation/Staff development	71,405	-	71,405
Maintenance and utilities	539,463	-	539,463
Technology	609,705	(342,287)	267,418
Capital outlay - Equipment and furniture	250,340	(203,131)	47,209
Depreciation	-	1,704,653	1,704,653
Other expenses	152,188	-	152,188
Total expenditures	10,820,283	(125,717)	10,694,566
Excess of Expenditures Over Revenue/ Change in Net Assets	(194,469)	125,717	(68,752)
Fund Balance/Net Assets - Beginning of year	2,925,088	6,140,258	9,065,346
Fund Balance/Net Assets - End of year	<u>\$ 2,730,619</u>	<u>\$ 6,265,975</u>	<u>\$ 8,996,594</u>

Capital Area District Library

Notes to Financial Statements December 31, 2006

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

The accounting policies of Capital Area District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

Effective January 1, 1998, Capital Area District Library commenced official operations pursuant to the March 10, 1997 signed District Library Agreement. The District Library Agreement was originally entered into by the County of Ingham, except for the City of East Lansing and small portions of White Oak and Locke Townships, and the City of Lansing. In February 1999, three additional participating municipalities were recognized by the original participants - Delhi Township, Meridian Township, and the City of Williamston. The Library is funded primarily through property taxes, state aid, penal fines, grants, and donations. The voters of the districts approved a 1.46 mill tax for a three-year period, which began with a tax levy effective December 31, 2003. This millage provides for funding of Library operations through December 31, 2006. The voters of the districts approved a 1.56 mill tax for a four-year period, to begin with a tax levy effective December 31, 2006. This millage provides fund of Library operations through December 31, 2010.

The Library is governed by a seven-member board. The board consists of five members appointed by the County of Ingham and two members appointed by the City of Lansing. The Library is not included as a component unit in any other primary government's financial statements. Based on the significance of any operations or financial relationships with the Library, there are no component units to be included in these financial statements.

Capital Area District Library

Notes to Financial Statements December 31, 2006

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library has one fund, the General Fund, which is the Library's primary operating fund.

The General Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. Normally, expenditures are divided between years by the recording of prepaid expenses. The prepaid expenses reported on the balance sheet represent payments made in advance for 2007 expenditures.

In addition to presenting information for the General Fund, the statements combine all fund activity and present information for the Library as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Financial Statement Amounts

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Area District Library

Notes to Financial Statements December 31, 2006

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Receivables and Payables - All trade and property taxes receivable are shown net of an allowance for uncollectible amounts.

Prepaid Expenses - The prepaid expenses reported on the balance sheet represent payments made in advance for 2007 expenditures.

Capital Assets - Generally, capital assets are defined by the Library with an initial cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Library books, CDs, and audio and visual tapes which comprise the Library's collection are recorded as assets using various estimating techniques. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the \$2,500 capitalization threshold.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on such capital assets is charged as an expense against the operations on a straight-line basis over the following estimated useful lives:

Furniture and equipment	3-10 years
Library books and materials	7 years

The Library has a collection of art work presented for public exhibition and education that is being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. The collection is not capitalized or depreciated as part of capital assets.

Compensated Absences - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment, generally when an individual's employment has terminated as of year end.

Capital Area District Library

Notes to Financial Statements December 31, 2006

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Property Taxes - Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2005 tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended December 31, 2006, when the proceeds of the levy are budgeted and available for the financing operations. The 2005 taxable value of the district totaled \$6,470,565,892 (a portion of which is not captured from all jurisdictions), on which taxes levied consisted of 1.4423 mills for operating purposes. This resulted in \$8,889,501 recognized as property tax revenue.

Deferred Revenue - Income is recognized as revenue as it is earned. Prepayments are recorded as deferred until the revenue is earned over the year. Property taxes levied December 1 are for the following year's budget as described above. Accordingly, the December 1 tax levy is recorded as deferred revenue at December 31.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Capital Area District Library

Notes to Financial Statements December 31, 2006

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of the purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated seven banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments as allowed by authority as listed above. The Library's deposits and investments policy is in accordance with statutory authority.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$1,030,407 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

As of year end, the Library had approximately \$2,051,000 invested in governmental money market mutual funds with a rating of AAA by Moody's. The Library's investment policy does not limit credit risk beyond that imposed by State law.

Capital Area District Library

Notes to Financial Statements December 31, 2006

Note 3 - Capital Assets

A summary of the changes in capital assets follows:

Capital Assets Being Depreciated	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
Furniture and equipment	\$ 2,894,904	\$ 445,134	\$ 213,500	\$ 3,126,538
Library books and materials	14,086,663	1,315,494	685,961	14,716,196
Project in progress	-	100,284	-	100,284
Total	16,981,567	1,860,912	899,461	17,943,018
Accumulated depreciation:				
Furniture and equipment	1,372,172	393,491	213,500	1,552,163
Library books and materials	9,278,382	1,311,162	685,961	9,903,583
Subtotal	10,650,554	1,704,653	899,461	11,455,746
Net book value	\$ 6,331,013	\$ 156,259	\$ -	\$ 6,487,272

Capital Area District Library leases a building from the Lansing School District at a nominal amount. Other buildings are provided by the other participating governmental units at no charge to the Library. As a result, the Library does not own land or any other assets that are not being depreciated.

Construction Commitments - The Library has hired a consultant with a contract in the amount of approximately \$99,000 to help evaluate the potential costs that may be associated with future construction and renovation projects for the various branches. No amounts had been spent on this contract at year end.

Note 4 - Long-term Debt

A summary of the debt outstanding at the Library is as follows:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
Compensated absences	\$ 190,775	\$ 30,542	\$ -	\$ 221,317

Capital Area District Library

Notes to Financial Statements December 31, 2006

Note 4 - Long-term Debt (Continued)

The compensated absences represent the estimated liability to be paid employees under the Library's vacation pay policy. Under the Library's policy, employees earn vacation time based on time of service with the Library. The Library estimates that none of the above liability will be paid within the next year.

Note 5 - Budget Information

The annual budget is prepared by Library management and adopted by the Library board of trustees; subsequent amendments are approved by the board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The General Fund budget has been approved on a functional basis. A comparison of actual results of operations to the General Fund budget as adopted by the Library board is included in the required supplemental information.

Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 - Pension Plan

Plan Description

The Library participates in the Michigan Municipal Employees' Retirement System, an agent, multiple-employer defined benefit pension plan that covers all full-time employees of the Library. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Capital Area District Library

Notes to Financial Statements December 31, 2006

Note 7 - Pension Plan (Continued)

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by board approval and requires a contribution from the union and nonunion employees of 3.04 percent and 3.87 percent, respectively, and 7.37 percent of gross wages.

Annual Pension Cost

For the year ended December 31, 2006, the Library's annual pension cost of \$226,369 was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial calculation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases ranging from 0 percent to 8.40 percent per year, depending on age, attributable to seniority/merit. Both (a) and (b) include an inflation assumption of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period.

Trend Information

	Fiscal Year Ended December 31		
	2004	2005	2006
Annual pension cost	\$ 162,137	\$ 201,907	\$ 226,369
Percentage of annual pension cost contributed	100%	100%	100%
Net pension obligation	-	-	-

	Actuarial Valuation as of December 31		
	2003	2004	2005
Actuarial value of assets	\$ 478,109	\$ 980,283	\$ 1,407,473
Actuarial accrued liability (AAL) (entry age)	458,103	976,116	1,387,610
Unfunded (overfunded) AAL (U(O)AAL)	(20,006)	(4,167)	(19,863)
Funded ratio	104.37%	100.4%	101.4%
Covered payroll	1,854,730	2,747,722	2,989,797
U(O)AAL as a percentage of covered payroll	(1.08%)	(0.15%)	(0.66%)

Capital Area District Library

Notes to Financial Statements December 31, 2006

Note 8 - Defined Contribution Pension Plan

The Library provides pension benefits to some full-time employees hired before January 1, 2002 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by negotiation with the Library's competitive bargaining units, the Library contributes 7 percent of employees' gross earnings. In accordance with these requirements, the Library contributed \$37,981 during the current year, and employees made no contributions. Total assets held by the plan at year end were \$489,253.

Note 9 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Library's General Fund differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified accrual basis	\$ 2,730,619
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Amounts reported in the statement of net assets are different
because:

Capital assets are not financial resources and are not reported in the funds	6,487,272
Compensated absences are included as a liability	<u>(221,317)</u>

Net Assets of General Fund - Full accrual basis	<u><u>\$ 8,996,574</u></u>
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Capital Area District Library

Notes to Financial Statements December 31, 2006

Note 9 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements (Continued)

Net Change in Fund Balances - Modified accrual basis \$ (194,469)

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	545,418
Library books and materials	1,315,494
Depreciation	(1,704,653)

Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities but not in the fund statements	<u>(30,542)</u>
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Change in Net Assets of General Fund - Full accrual basis \$ (68,752)

Required Supplemental Information

Capital Area District Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Originally Adopted Budget	Final Amended Budget	December 31, 2006 Balance	Variance Favorable (Unfavorable)	December 31, 2005 Balance
Revenue					
Millage revenue	\$ 8,943,000	\$ 9,023,000	\$ 9,035,884	\$ 12,884	\$ 8,705,782
Penal fines	765,000	742,500	746,047	3,547	764,154
State aid	171,000	171,000	171,612	612	206,610
Rental revenue	100,000	104,500	110,561	6,061	144,819
Interest income	195,000	240,000	282,077	42,077	165,763
Donation income	60,000	80,000	79,509	(491)	49,203
Miscellaneous revenue	210,000	217,000	200,124	(16,876)	286,998
Total revenue	10,444,000	10,578,000	10,625,814	47,814	10,323,329
Expenditures					
Salaries and benefits	6,845,600	6,991,123	6,878,063	113,060	6,338,326
Materials	1,574,100	1,674,050	1,494,396	179,654	1,408,138
Supplies	235,640	262,640	254,179	8,461	210,928
Professional services	566,910	602,910	548,693	54,217	491,168
Governance	27,900	27,900	21,851	6,049	18,137
Transportation/Staff development	88,500	88,500	71,405	17,095	64,329
Maintenance and utilities	546,200	559,400	539,463	19,937	507,189
Technology	857,200	822,700	609,705	212,995	338,208
Capital outlay - Equipment and furniture	460,700	407,220	250,340	156,880	218,172
Other expenses	147,850	163,350	152,188	11,162	166,728
Total expenditures	11,350,600	11,599,793	10,820,283	779,510	9,761,323
Excess of Revenue Over (Under) Expenditures	(906,600)	(1,021,793)	(194,469)	827,324	562,006
Fund Balance - Beginning of year	2,925,088	2,925,088	2,925,088	-	2,363,082
Fund Balance - End of year	\$ 2,018,488	\$ 1,903,295	\$ 2,730,619	\$ 827,324	\$ 2,925,088